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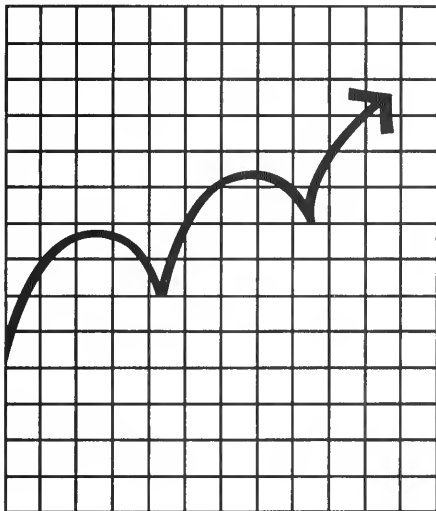
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CDBG ECONOMIC DEVELOPMENT PROJECTS



In ceremonies on February 15, 1989, in Denver, Grady Franklin Maples, regional administrator for the U.S. Department of Housing and Urban Development awarded the Montana Department of Commerce a "Certificate of Special Achievement" for "quality underwriting of Community Development Block Grant (CDBG) economic development projects."

As part of its continuing efforts to improve the effectiveness of the economic development component of Montana's CDBG Program, the Department of Commerce has asked for technical assistance from the

National Association of State Development Agencies (NASDA) of Washington, D.C. In November 1988, a three-person team composed of a NASDA staff person and the economic development directors for Missouri and Nebraska visited Montana to interview state and local government officials, as well as private business people, to assess Montana's program. A copy of the NASDA team's report has now been published and is available for public review and comment. NASDA's recommendations for changes would result in major changes in current policies and

procedures for CDBG economic development projects. The NASDA recommendations include:

- instituting a continuous application process for economic development projects rather than the cyclical fall, spring, and summer grant competitions now used;
- using a two-step, pre-application and full application review procedure to screen potential applicants;
- requiring that loan repayments from CDBG-assisted business loans be returned to the state level for reallocation rather than being retained in local revolving loan funds;
- determining the set-asides for the three CDBG grant categories (economic development, housing, and public facilities) based on the request levels of the previous year;
- raising financial thresholds;
- eliminating the restriction of funding one economic development project per year per community;
- setting interest rates for CDBG economic development loans at market levels unless thoroughly justified;
- establishing a process of joint application review by the Business Assistance and Local Government Assistance Divisions; and
- formalizing procedures for technical assistance from both divisions to communities and businesses receiving CDBG funding.

Copies of the report can be ordered from the Local Government Assistance Division by calling 444-2488.

Inside Commerce is published four times a year as an informational and educational tool for Montanans interested in public policy implementation through the Department of Commerce.

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Perspectives

Mike Letson was born and raised in Red Cloud, Nebraska. He was educated in Red Cloud schools, graduated from Wentworth Military Academy in Lexington, Missouri and received a bachelor's degree in finance from the University of Denver. In 1977 he moved to Shelby, Montana where he was involved in several business ventures and many state and community projects.

Letson has been an active participant in the banking, construction, management, coal, oil and gas industries—most recently managing failing companies back to health. He served on Governor Stan Stephens' transition team and was selected in early 1989 as director of the Montana Department of Commerce.



Change often brings apprehension but, over the past 100 days, we have experienced a great deal—change in the legislature, change in the executive branch, change in every bureau and division. Change is the major ingredient in movement and without movement, we tend to stagnate. With change comes uncertainty—the perceived loss of security known to most of us as the status quo.

Our responsibility in Commerce is to make changes which are good for the state and the stockholders (the taxpayers). The opportunities that present themselves each day can be viewed as change or as movement toward our goals. Everyone possesses knowledge, and my goal is to use your knowledge to bring about the best and most helpful changes, as well as those changes the stockholders want.

Over the past few weeks, we have taken a new direction in our Transportation Division, tried a new marketing approach in our Montana Promotion Division, hired a new administrator in our Business Assistance Division and are putting the Montana Lottery back on its feet. We will review each and every division in the department for areas that can be improved and will take action this summer. We believe these changes in direction, philosophy, management and personnel will position the state for its entry into the "Decade of Opportunity" starting in 1990.

Economic development is still the key area in Commerce and everything we do points in that direction. We hope to realign many areas within that field and some consolidation of responsibilities is currently being planned. Simply stated, through the efforts of its 17 divisions and related bureaus, the Department of Commerce is firmly committed to economic expansion of the entire state of Montana. We will continue to be advocates in the building of partnerships that will help our state prosper and grow. We will take calculated risks in order to achieve clearly defined objectives in our pursuit of economic betterment now and into the next century.

COMMUNITY DEVELOPMENT AWARDS

On February 22, Department of Commerce Director Mike Letson presented national community development awards to Chinook and Malta for their housing rehabilitation and neighborhood revitalization programs. Both communities received "Certificates of National Recognition for Urban Development Excellence" from the U.S. Department of Housing and Urban Development (HUD) for their innovative use of Community Development Block Grant (CDBG) funds and their contribution to developing public-private partnerships, demonstrating their pivotal role in revitalizing the nation's communities.

Working with local lenders, both communities developed innovative financing techniques to increase the impact of their CDBG funds. Using funds from numerous sources, including two separate CDBG awards, Malta



has completed the rehabilitation of 115 housing units and established a revolving community development fund that can be used for other city projects. Even though Chinook was limited to a single \$367,835 CDGB award, by leveraging other funds, it was able to rehabilitate 47 housing units and to demolish and clear a dilapidated building in its downtown area for use as a park.

The awards were presented at the department's grant administration workshop to Barbara Richard, Malta's community development director, and to Dick King, assistant director of Bear Paw Development Corporation, on behalf of Chinook. Richard and King developed and administered the projects for the two communities. In his remarks, Letson noted that only 147 communities in the entire nation received similar recognition. Chinook and Malta were the smallest cities to receive the HUD awards. The director commented that "when Malta and Chinook win, Montana wins. You are a model for other Montana communities."



SBDC SUCCESS STORIES

Several Montana companies experienced significant results in the first three months of 1989 with the technical assistance from the Small Business Development Center.

International Trade Office

Union Capital Co. of Taichung, Taiwan, visited Montana and placed container load orders for log homes, decking and siding to Neville Log, Western Log and National Log. Potential yearly sales to Taiwan for these products range from \$3 million to \$5 million, and the market is sure to expand.

The Tokyo and Helena offices assisted in securing a trade contract and order for Kessler Brewery in Helena. To date, 500 cases of beer have been shipped to Japan for test marketing. This is the first time a micro-brewery anywhere in the U.S. has contracted with a major Japanese merchandiser. Successful test marketing will mean orders for three to five shipping containers per month, enabling Kessler to expand both facilities and employment.

Hi-Country Beef Jerky is finalizing plans to sign a distribution agreement with the Heimtex Trading Co. of Tokyo. Hi-Country has been trying to enter the Japanese market for four years. The Tokyo and Helena offices met with the Heimtex officials in December 1988, and have assisted Hi-Country with product modification, import laws, and packaging to enable the company to make its first penetration of the Japanese market.

Willow Creek Marketing is negotiating with a Japanese company for the sale of 10,000 Stan Lynde calendars for 1990, made to Japanese specifications.

Finance and Marketing Programs

Funding approval is expected in early May from the Bureau of Indian Affairs for a manufacturing project on the Crow Indian Reservation in Lodge Grass. The operation anticipates annual sales of \$250,000 in 1989. Initial employment is projected for 10 rising to 18 in the second year and reaching 35-40 in the third year.

The SBDC helped negotiate financing for the acquisition of Meissner Tractors, Inc. by the Rocky Boy and Fort Belknap reservations. The acquisition produces a major Indian-owned metal fabrication contractor, capable of bidding on noncompetitive set-asides for defense procurement from minority-owned firms. Final approval for a \$500,000 HUD grant, combined with \$1 million from the BIA for this purchase was announced March 28.



HEFFNER HEADS BUSINESS ASSISTANCE



Director Mike Letson has announced the appointment of Bob Heffner as administrator of the department's Business Assistance Division. Bob served as the first director of the statewide Small Business Development Center and prior to that he was the department's business retention officer providing management consultant and business advocate services. He also drafted SB 215 entitled "The Employee Ownership Opportunity Act", which has been signed by the governor.

Heffner holds a bachelor's degree in economics from the University of California at San Diego and a master's degree in regional planning from the University of California at Los Angeles with a concentration in economic development and development finance.

Prior to government service, Heffner's career included 10 years experience as a small business owner: six years in residential construction and remodeling and four years owning and operating a specialty food shop. A highlight of Heffner's career was his work researching a cooperative bank and an associated complex of 110 employee-owned factories in northern Spain. An analysis of the institutions was made as a model for regional development strategy in the U.S.

"As an experienced businessman, Heffner is both a strong business advocate and a sympathetic liaison for the business community," Letson said, "which are essential qualities for this position."

Heffner says his first priority is making more efficient use of available resources in order to serve business and industry in Montana. "Our most valuable resource is the people we have—a competent and dedicated professional staff, who know business from the inside out," he said.

Bob and his family have been residents of Montana for seven years.

TRAVEL MONTANA ADS WIN!

Wendt Advertising of Great Falls won 16 first-place honors at the annual Montana Addy awards competition for advertising.

Advertising prepared for Travel Montana won 10 top awards, including the popular "Montana Sings" jingle, written by Mark Staples of Helena, and a 60-second television commercial promoting vacations in Montana.

The statewide awards ceremony was held in Missoula February 18 to recognize the creative work of ad agencies, design firms and communication media.



HEALTH CARE SAVINGS

The Montana Health Facility Authority has announced the issuance of \$9.3 million of Hospital Facilities Refunding Revenue Bonds to refinance the City of Helena revenue bonds issued to St. Peter's Community Hospital in 1980.

According to Jerry Hoover, authority administrator, the issue will yield annual interest rate savings of nearly \$1.5 million over a 20-year period for the hospital. Interest cost savings are generally reflected in lower costs to the consumer through per diem rates and fees for health care services provided by the hospital.



St. Peter's management team approached the authority with the refinance proposal earlier this year, and Hoover credits their diligent work as well as that of the underwriter, D.A. Davidson, with the successful outcome of the bond issue.

The stand-alone issue is the sixth for the authority, and brings the total amount of issues to more than \$46 million with interest cost savings of over \$10 million. The bond program has been successful in helping Montana hospitals and other health care facilities to curb rapidly increasing health care costs.

RECORD SKI SEASON

Ski resorts in Montana recorded their second consecutive record ski season last winter. According to preliminary figures from the Montana Promotion Division, Montana's ski areas attracted more skiers who spent more money than ever before. "It appears to be an all-time record for the state," said state Travel Director John Wilson.

With eight of the state's major downhill ski areas reporting, Montana logged 789,232 skier-days during the 1988-89 ski season, up 9 percent from the season before. Reporting ski areas grossed \$48.7 million, up 21 percent from a year ago.

Wilson said revenue growth is outpacing skier-day growth because a greater percentage of skiers are coming from out-of-state. Nonresident skiers spend more money on food, lodging and gifts than residents.

Nonresident skier-days have

increased steadily over the past two years, up 15 percent two seasons ago and up another 18 percent this season. Resident skier-days mirrored the snow-pack, up this year because of the copious snowfall and down the previous year because of the drought.

Wilson attributed the banner season to bountiful snowfall and increased promotion by the ski areas and the state. A stepped up out-of-state advertising campaign touted Montana's uncrowded skiing through magazine ads in *Ski*, *Skiing* and *Powder* magazines. The Promotion Division also aired 30-second and 60-second television commercials that reached an estimated 48 million households.

The state spent \$290,000 on ski advertising last year, funded by the state's bed tax. Ski areas contributed another \$47,000 to the campaign.

Wilson added that the growth in ski

area revenues is inspiring confidence and new capital investments at the ski areas. Big Sky has broken ground on a \$10 million condominium and convention center. The Big Mountain is beginning construction of the state's first high speed, detachable quad chair lift and expanded base facilities. New construction at the Big Mountain will total \$3.8 million this summer.



LOTTERY DIRECTOR APPOINTED



Governor Stan Stephens has appointed Bozeman public relations and media consultant Chuck Brooke as the new director of the Montana Lottery.

Brooke has served in administrative positions in both state and county government and successfully headed his own advertising and public relations firms. His agencies have won over 50 local, state, and regional awards for advertising excellence. Most recently he was involved in the marketing of video lottery systems in Iowa and South Dakota.

"We need to interject new ideas and new approaches into our lottery so that we attract new participation and live up to our responsibility to the state's taxpayers," Brooke said.

"Increased sales is now the highest priority. To achieve that we will focus on improving the value of the product and increasing the effectiveness of the product promotion," he added.

"Simply put, that means more winners, more advertising, and I am confident that will mean more ticket sales."

The 1989 Legislature approved several changes in the Lottery law to provide business and sales flexibility. The Lottery also intends to move as quickly as possible to implement some

form of "on-line" multistate Lotto game in addition to new higher payout scratch off games. The multi-million dollar weekly drawings should help attract those players looking for high level prizes.

"All in all, I feel it's going to be an exciting time to be involved with the Montana Lottery," Brooke said. "I'm confident we will soon enjoy the rewards of renewed interest and increased sales."

The Chinook High School graduate holds both a bachelor's and master's degree from the University of Montana where he returns occasionally as a guest lecturer on advertising and politics. He has also earned post graduate credits from Duke University.

SCIENCE AND TECH BACK IN BUSINESS

On Friday, March 24, Governor Stan Stephens signed into law House Bill 683, the Montana Science and Technology Financing Act. Adoption of the bill puts the financing programs of the alliance back in business after the Montana Supreme Court decision struck down the agency's seed capital bonding program in July 1988.

Governor Stephens said the legislation will be a great help in continuing the partnership between the state's businesses, the university system, and state government. "Through the Science and Technology Alliance's financing program, we will add to the capital available for strengthening Montana's entrepreneurial business potential," Stephens said.

The new legislation, requested by Governor Stephens, was sponsored by Representative Bob Marks of Clancy. The new act addresses the constitutional defects identified by the Supreme Court in the *White* decision by avoiding the use of bond proceeds, thereby not pledging the credit of the state against private debt. It also specifically defines the bounds of authority granted to the alliance for its use of the state funds.

The legislation gives the Science and Technology Development Board five-year management authority over \$7.5 million of the In-State Investment Fund and a portion of the Coal Severance Tax Trust to fund the seed capital financing program. The money will be used to participate in financing new and expanding technology-based Montana businesses that the board determines meet its investment criteria. The board may provide up to \$350,000 in a single round of financing or up to \$750,000 over multiple financing rounds in a single company matched on a one-to-one basis with private investors. While the alliance establishes a debt relationship with companies, it participates very much like an equity investor—sharing both the risk and reward related to early stage investments, which have the potential for rapid, "venture capital" style growth.

Passage of HB683 also re-establishes operating procedures for the research and development financing program. The alliance expects to have about \$600,000 in appropriated funds for this program in the coming biennium. Financings under this program will be directed toward continuing the technology centers of excellence program and the Montana entrepreneurship center, all initially funded in 1988.

As the first major step in implementing the new legislation, Governor Stan Stephens announced his appointments to the new nine-member board. Governor Stephens appointed Chase Hibbard of Helena as chairman. Hibbard has four years commercial banking experience with the Crocker National Bank in San Francisco and is currently president of the Hibbard Management Company and Sieben Livestock. The only person reappointed to the board is Jon Marchi of Polson, who previously served as the board's seed capital investment committee chairman. Other board appointees are: Annie Bartos of Helena; Tom Bream of Missoula; John Brower of Butte; Roger Claridge of Kalispell; Dixie Halverson of Scobey; Sue Matthews of Miles City; and Ray Tilman of Butte.

The provisions of the bill became effective immediately, following the Governor's signature, and according to the alliance's executive director, Steve Huntington, "the agency is moving very quickly to put the financing process back in place to regain the momentum that was lost after the *White* decision." Investment proposals are already being received and the agency's board of directors met in early May.



S.H.O.T. SHOW

The Montana Small Business Development Center and the Business Assistance Division assisted six Montana manufacturers in exhibiting their products at the national S.H.O.T. Show held in Dallas, Texas. The S.H.O.T. Show is considered the premier national wholesaler event for the hunting and outdoor industry.

Assistance included help with analyzing competitive products; pricing, and identifying "niches" in the market; designing promotional materials; and negotiating with national and international distributors.

Companies attending the show hailed from towns across the state, including Big Timber, Coram, Lincoln, Polson and Wolf Point.

Montana products included beef snacks, riding gear, dusters, hunting apparel, custom sporting and target rifles and shooting supplies, big game transportation equipment, special mounts for scopes and cameras, and target shooting rests. Value of the orders written immediately after the show represent 4 percent to 10 percent of total expected long-term sales.

Marketing officers, Gene Marcille and Gary Mariegard, commented that the S.H.O.T. Show was a success for Montana manufacturers, whose displays featured innovative products promising high sales volume and good retail margin. Representatives from major outdoor and firearms publications attended the show, and will review products manufactured in Montana in future issues of their publications.

International purchasing agents from Austria, Japan, Germany, Mexico, Canada, and Sweden expressed interest in the Montana products exhibited at the trade show.

This effort to assist Montana producers in reaching national markets was coordinated by the U.S. Small Business Administration and the Montana Department of Commerce, which jointly fund Small Business Development Centers located in Glendive, Helena, and Kalispell.

INDIAN AFFAIRS COORDINATOR NAMED



Don Wetzel, Corvallis Superintendent of Schools and Blackfeet tribal member, has been appointed as the state's Coordinator of Indian Affairs by Governor Sten Stephens.

Stephens praised Wetzel for his outstanding record of accomplishments in both education and community service. "Don Wetzel is an outstanding choice for the Coordinator of Indian Affairs and we are very proud he has accepted this appointment," said Stephens. "He is a high caliber professional whose record of achievements in education and community service have been widely recognized."

Wetzel recently won the 1988 Montana Jefferson Award for his personal crusade against drugs and alcohol. He was also recognized as the 1988 "School Administrator of the Year" by the Montana Library Association.

The 40 year old Wetzel was born and raised on the Blackfeet Indian Reservation. He attended the University of Montana where he received a bachelor's degree in Health and Physical Education and a master's degree in Education.

Wetzel has spent 17 years working in education and has taught and coached in Browning, Helena, and Lawrence, Kansas, at Haskell Indian Junior College. Wetzel became principal of the Corvallis Schools in 1985 and has been superintendent of schools there since 1986.

COUNTY PROFILES

A *Supplement* to the fifth edition of the *Montana County Profiles* is now being published. This *Supplement* augments the fifth edition, compiled in 1985, by updating the annual demographic and economic statistics. In addition, there are a number of enhancements to the existing tables. The format of the *Profiles* remains the same; there are 57 volumes, one for each county and a separate volume for the state.

The first copy of the *Montana County Profiles* and/or *Supplement* is free. Beyond that, each *Profile* request is \$5.00 postpaid per county, and each *Supplement* is \$4.00 postpaid per county. A two-volume set—a *County Profile*, 5th edition, plus *Supplement*—is sold for \$8.00 postpaid per county. Alternatively, a full set of the 57 *Supplements* in micro-fiche format is available at no charge.

Please direct your inquiries and orders to Census and Economic Information Center, Montana Department of Commerce, 1424 9th Avenue, Helena, MT 59620.

PUBLIC ACCOUNTANTS

Beginning July 1, 1997, a candidate for certification or licensing as a public accountant must have completed a five-year program at an accredited college or university offering a baccalaureate degree.

Senate Bill 409, sponsored by Senator Del Gage, required that public accounting graduates have an accounting concentration or its equivalent as determined by the board, with at least 150 semester hours of credit, including those earned toward an undergraduate degree.

This increase in educational requirements was primarily requested by the Montana Society of Certified Public Accountants and was endorsed by the Montana Board of Public Accountants. Montana becomes the fifth state to expand its educational requirement.

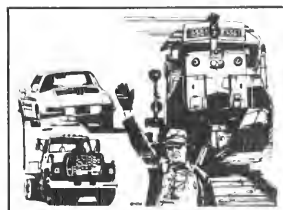
The American Institute of Certified Public Accountants has recently approved bylaw amendments that require prospective members to have 150 hours of higher education after the year 2000. SB409 allows Montana to aspire to the national standard.

DRUG PROGRAM GRANT

The Department of Commerce, Passenger Bureau has been awarded a \$50,000 grant from the Urban Mass Transportation Administration (UMTA) to meet UMTA's Final Rule on drug testing in mass transit. The announcement was made by UMTA's Deputy Director, Matthew Wirgau, at the Big Sky Transit Conference held in Billings April 17-19, 1989.

The grant allows the state to develop procedures for selecting a collection site; identifying a Medical Review Officer; and developing a systemic process used by the Department of Commerce to negotiate a contract with a Health and Human Services certified laboratory on behalf of collection sites.

A final product should be available by December.



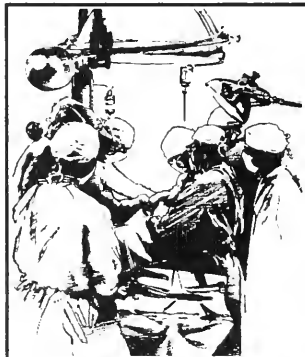
PHYSICIANS PROGRAM

The Board of Medical Examiners is seeking a part-time medical director for the Impaired Physicians Program commencing July 1, 1989.

Richard Irons, M.D., the part-time director of the program since its inception in July 1987, has resigned to take a similar full-time position in another state.

The program, renamed the "Ed Bertagnolli Program" last fall in memory of one of the board's members, assists and rehabilitates licensed physicians who are physically or mentally impaired by habitual intemperance or the excessive use of narcotic drugs or alcohol.

Qualifications for the position include an M.D. degree and postdoctoral training dealing with substance abuse and advocacy. Interested parties should send a letter of application and resume to the Board of Medical Examiners, 1424 9th Avenue, Helena, MT 59620.



MEDICAL EXAMINERS

An act of the 51st Montana Legislature has created the position of Executive Secretary for the Board of Medical Examiners. The Executive Secretary will provide services to the Board and assist in prosecution and license discipline.

The board, which is housed in the Professional and Occupational Licensing Bureau of the Division of Business Regulation, may select the individual to fill the new position.

To qualify, applicants must be citizens of the United States, be of good moral character, and hold a postgraduate degree from an accredited college or have equivalent experience. The degree or experience need not be in the field of medicine.

The Board hopes to begin the hiring process immediately to enable the successful applicant to begin work in October of this year when the act becomes law.

Can We Help You?

Michael Letson, <i>Director</i>	444-3797
Business Assistance Division, Bob Heffner, <i>Administrator</i>	444-4271
Business Regulation Division, W. James Kembel, <i>Administrator</i>	444-3737
Legal Unit and Consumer Affairs, Brinton Markle, <i>Chief Counsel</i>	444-4314
Local Government Assistance Division, Newell Anderson, <i>Administrator</i>	444-3757
Montana Board of Housing, Dick Kain, <i>Administrator</i>	444-3040
Montana Board of Investments, Dave Lewis, <i>Executive Director</i>	442-1970
Montana Health Facility Authority, Jerry Hoover, <i>Administrator</i>	444-5435
Office of Research and Information Services, Sandy Courtneage, <i>Administrator</i>	444-3814
Montana Promotion Division, John Wilson, <i>Administrator</i>	444-2654
Montana Science and Technology Alliance, Steve Huntington, <i>Executive Director</i>	449-2778
Aeronautics Division, Michael Ferguson, <i>Administrator</i>	444-2506
Financial Division, Fred Flanders, <i>Administrator</i>	444-2091
Transportation Division, Pat Saindon, <i>Administrator</i>	444-3423
Management Services Division, Carolyn Doering, <i>Administrator</i>	444-4212
Coordinator of Indian Affairs, Don Wetzel, <i>Coordinator</i>	444-3702
Lottery Division, Chuck Brooke, <i>Director</i>	444-5825

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